

Taxation on High Wealth Individuals (HWI)



National Tax Agency (NTA), Japan

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International Strategic Total Plan (published by NTA Japan)

Background

In recent years, the economy has been increasingly globalized. Under such circumstances, due to the disclosure of the so-called “Panama Papers”, “Paradise Papers”, and progress in the Base Erosion and Profit Shifting (BEPS) Project, public interest has been significantly increasing in international tax avoidance cases.



Policy Initiative

The NTA will advance each of the initiatives outlined in the “International Strategic Total Plan”, and should there be any tax issues, the NTA will properly take action, such as active commencement of tax examinations.

Compliance Risk

Background

The affluent class (HWI) and corporations conduct more and more cross-border transactions.

Risks

- Hiding assets overseas
- International tax avoidance using corporations established overseas
- International tax avoidance using the difference in the tax systems and tax treaties of other countries

Enhancement of Information Resources

- **Records of Remittances to and from foreign countries**
- **Foreign Assets Statements**
- **Statements of Assets and Liabilities**
- **Exchange of Information (EOI) under tax treaties (see Note)**
- **Automatic EOI on CRS and CbCR**

(Note) NTA published EOI Report annually.

http://www.nta.go.jp/english/eoi_report/pdf/2017.pdf

Enhancement of Human Resources

- **Director (International Taxation)**

 - Newly deployed in NTA HQ in FY 2017**

- **HWI Project Team**

 - Established in FY 2014 and expanded nationwide in FY 2017**

- **Chief Examiners / Senior Examiners (International Taxation)**

 - Requesting increase the number of officials**

Reinforcement of Global Network

- **Mutual Tax Collection assistance system**
- **Exchange of Information (EOI)**
- **Automatic EOI on CRS**
- **Promotion of Mutual Agreement Procedure**
- **Participation in Global frameworks (OECD, BEPS, etc.)**

The policy initiatives based on “International Strategic Total Plan”

Policy of National Tax Agency

- ◎ In recent years, the economy has been increasingly globalized. Under such circumstances, due to the disclosure of the so-called “Panama Papers”, “Paradise Papers”, and progress in the Base Erosion and Profit Shifting (BEPS) Project, public interest has been significantly increasing in international tax avoidance cases.
- ⇒ The NTA will advance each of the initiatives outlined in the “International Strategic Total Plan,” and should there be any tax issues, the NTA will properly take action, such as active commencement of examinations.

Enhancement of information resources

[Utilization of records of remittances and receipts related to foreign countries]

- Recognition of outward and inward overseas remittances exceeding ¥ 1 million

[Utilization of foreign asset statements]

- Recognition of assets exceeding ¥ 50 million held overseas (deposits, securities, real estate, etc.)

[Utilization of statements of assets and liabilities]

- Recognition of assets totaling ¥ 300 million or more (deposits, securities, real estate, etc.) or securities, etc. totaling ¥ 100 million or more (for individuals earning an income of exceeding ¥ 20 million)

[Exchange of information under tax treaties, etc.]

- Collection of information on the actual situation of transactions, dividends, income from real estate, etc.

[Automatic exchange of information on financial accounts based on the CRS (*1)]

- Collection of information on overseas financial accounts (account balance, etc.) (A first exchange will be conducted by September 2018.)

[Establishment of a reporting system of information on multinational enterprises]

- Collection of information on multinational enterprise groups (A first exchange will be conducted by September 2018.)

The affluent class and corporations that conduct cross-border transactions



Enhancement of human resources for examination

[Director (International Taxation) NTA]

- Establishment of a commander for international taxation (Director (International Taxation) at the NTA) (FY2017)

[Project teams for the selective management of the affluent class]

- Establishment of project teams for the selective management of the affluent class in all Regional Taxation Bureaus (FY2017)
- Management of individuals especially holding a large amount of assets among the affluent class, and examination planning

[Chief Examiners (International Taxation) of Taxation Department and the International Examination Divisions at Regional Taxation Bureaus]

- Collection and analysis of information of international tax avoidance, and examination planning
- Research and development of examination methods concerning complicated cross-border transactions

[Senior Examiners (International Taxation) at Regional Taxation Bureaus and Tax Offices]

- Identifying cases that have international taxation issues and actively conducting examinations

[Establishment of an organizational infrastructure related international taxation (establishment is budgetary-requested for FY2018)]

- Request for increasing Senior Examiners (International Taxation) at Regional Taxation Bureaus and Tax Offices

Reinforcement of global networks

[Utilization of a mutual tax collection assistance system]

- Request for tax collection regarding assets held in a tax treaty contracting state to the tax authority of the treaty partner

[Exchange of information under tax treaties, etc.]

- [Automatic exchange of information on financial accounts based on the CRS]

[Promotion of the Mutual Agreement Procedure]

- Solution of international double taxation issues

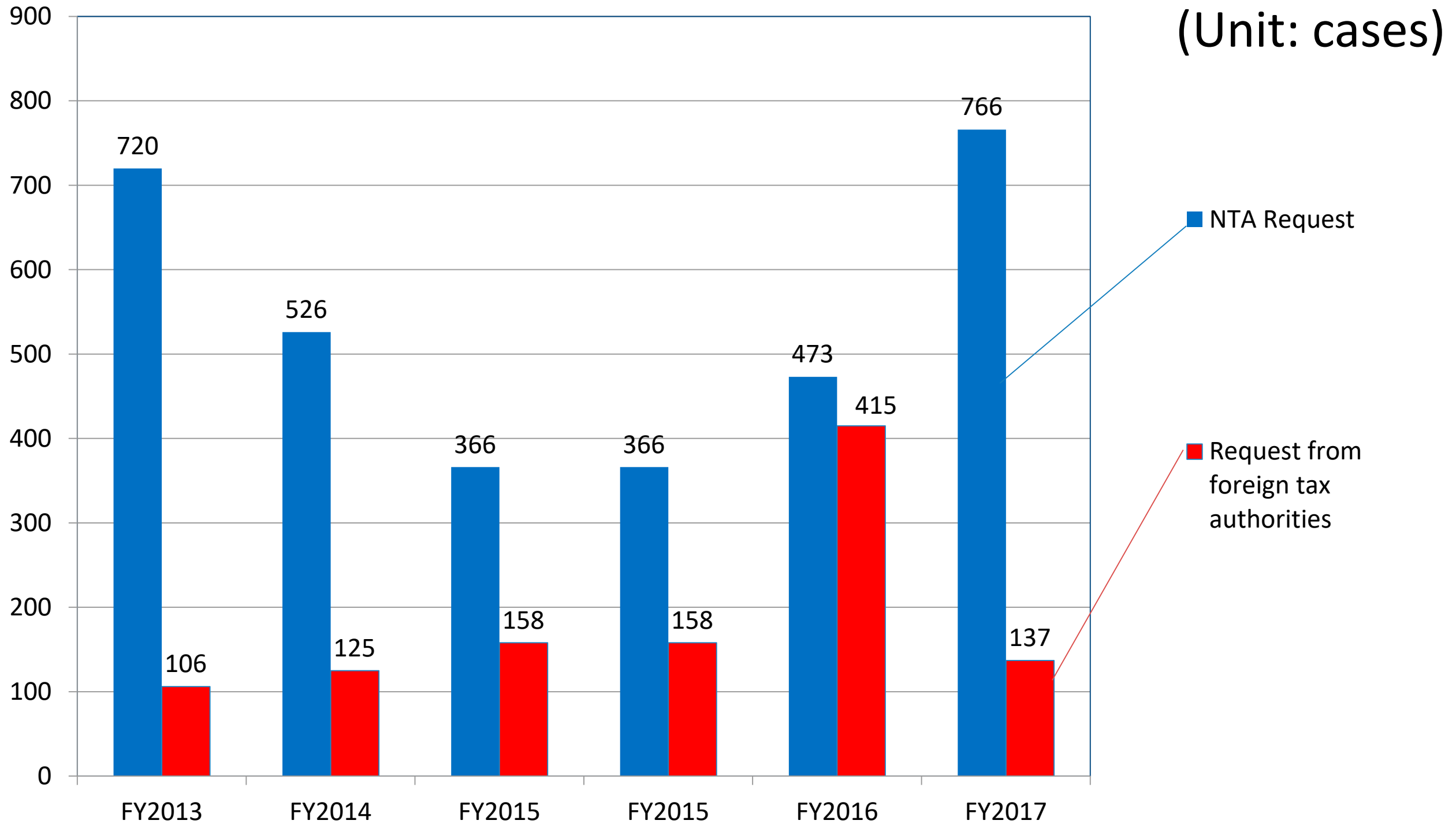
[Participation in global frameworks]

- Response to international discussions concerning the BEPS (*2) and the tax transparency

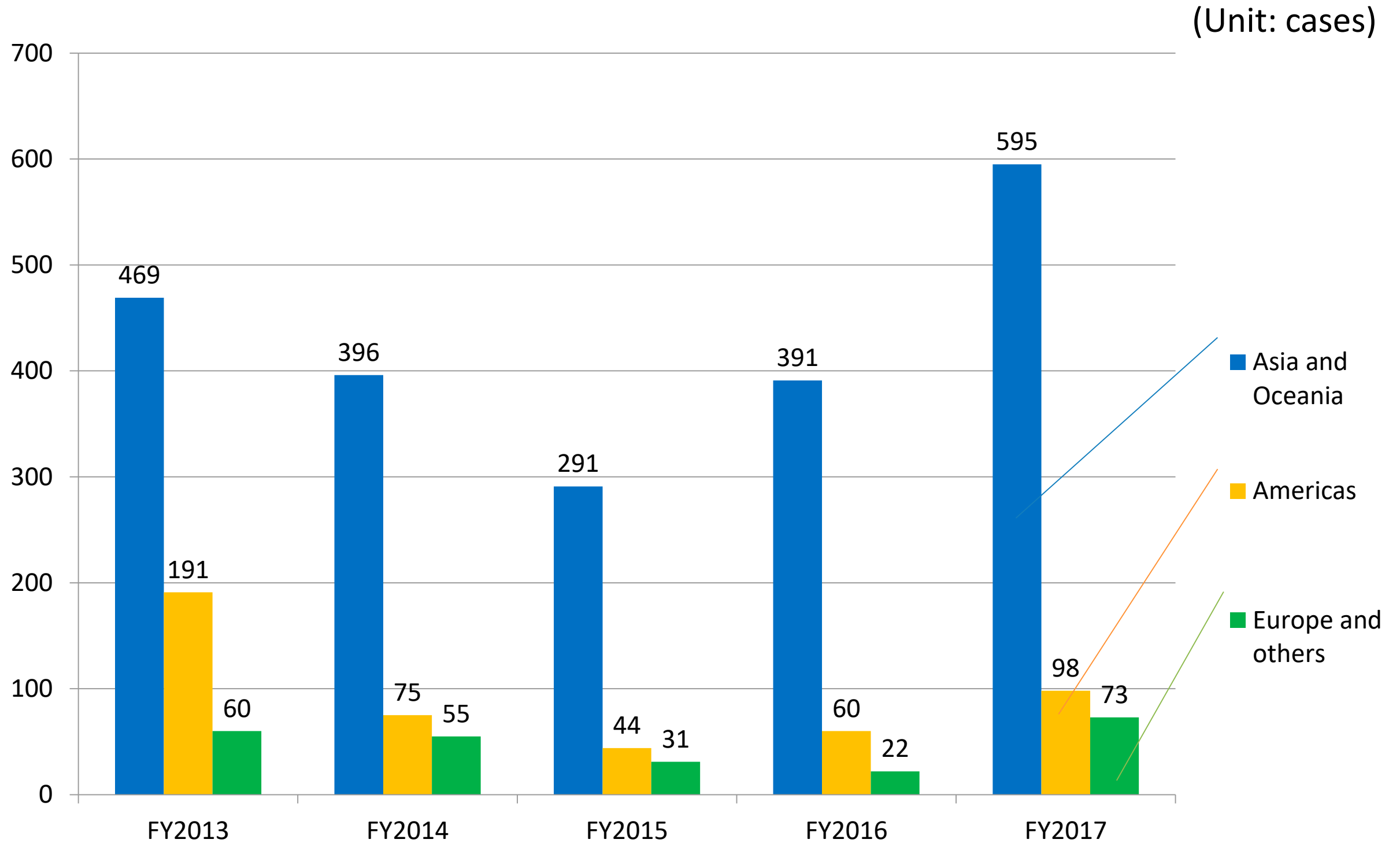
*1 CRS: The abbreviation of Common Reporting Standard

*2 BEPS: The abbreviation of Base Erosion and Profit Shifting

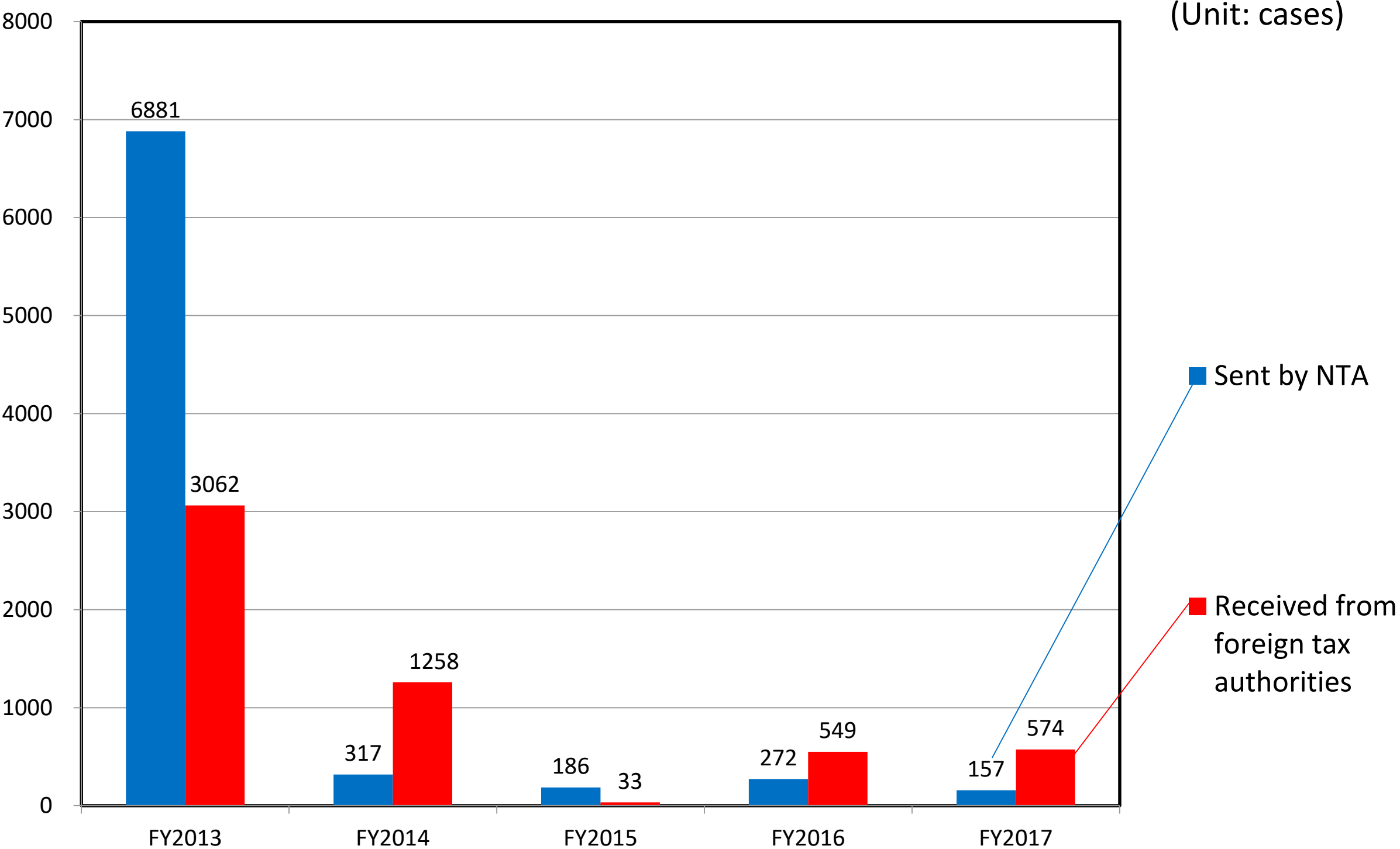
Statistics of EOI Request (source: NTA EOI report)



Statistics of EOIR by Region

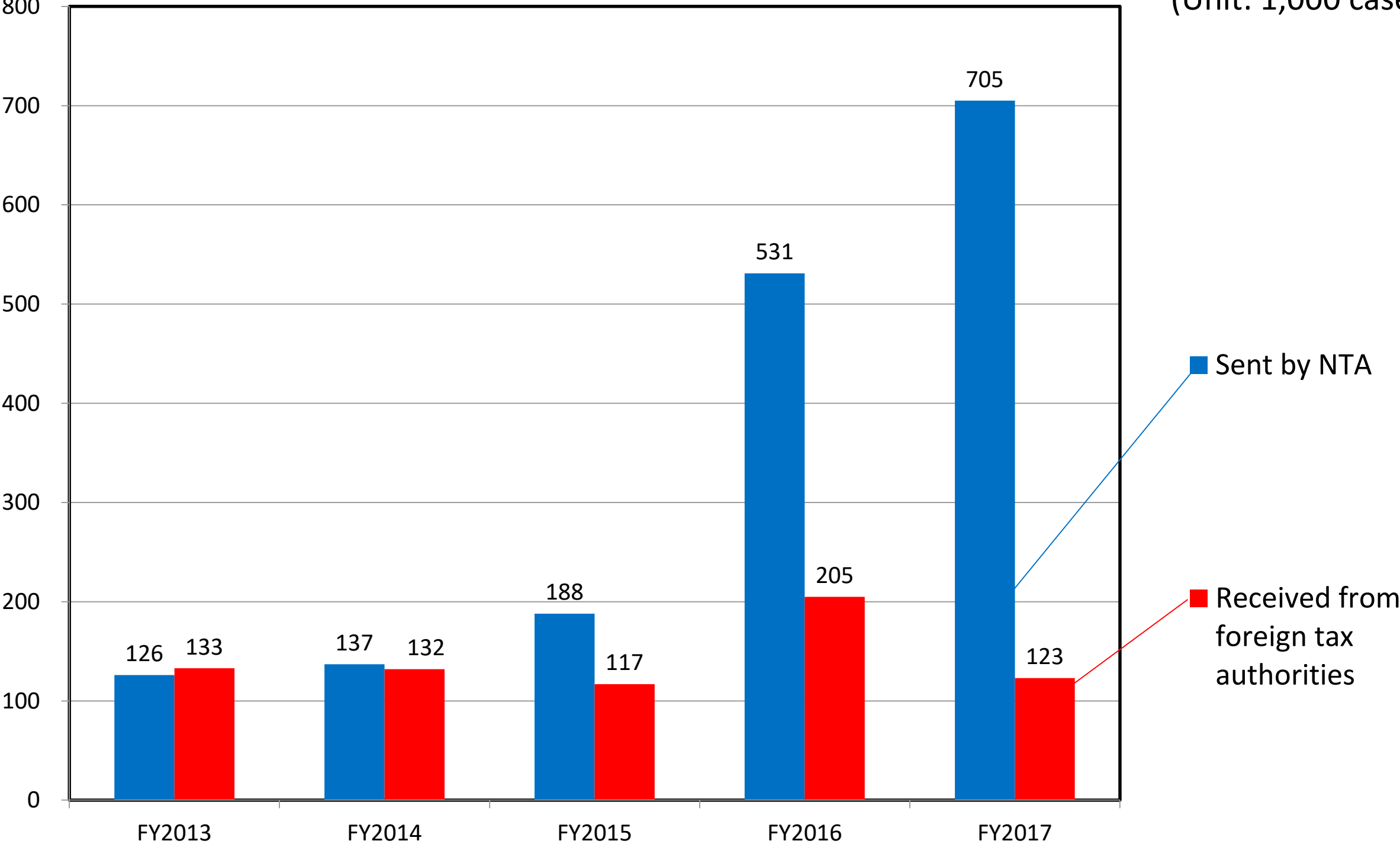


Statistics of Spontaneous EOI



Statistics of Automatic EOI

(Unit: 1,000 cases)



Thank you for your attention!

